

Measure Would Separate Investment & Commercial Banking to Protect the Public

Washington, DC - In an effort to restore commonsense and important safeguards to the financial sector, Congressman Maurice Hinchey (D-NY) today introduced a bill that would reinstate the Banking Act of 1933, better known as the Glass-Steagall Act, in order to separate investment banking from commercial banking. The congressman, who introduced the Glass-Steagall Restoration Act with Peter DeFazio (D-OR), Jay Inslee (D-WA), Marcy Kaptur (D-OH), Jim McDermott (D-WA), and John Tierney (D-MA), said he intends for the measure to break up oversized banks, restore consumer protections, and avoid future financial collapses like the one that began last year.

"The repeal of Glass-Steagall has exposed the U.S. economy to a level of risk that is simply unacceptable," Hinchey said. "The Glass-Steagall Act was put in place during the Great Depression to safeguard the U.S. economy from greedy banking activity. Unfortunately, Congress ignored history in 1999 when it repealed the Glass-Steagall Act and the American people have been forced to pay the price while bailing out these megabanks, which should have never existed in the first place. This bill reinstates a commonsense protection that will help ensure average Americans are not taken advantage of by banks and helps mitigate the risk of another financial meltdown like the one from which we're still recovering."

The Glass-Steagall Act was repealed in 1999 by the Gramm-Leach-Bliley Act, which Hinchey strongly opposed and voted against. That bill paved the way for the establishment of super-sized banks that serve as both commercial lending institutions and investment companies. Today, just four huge financial institutions hold half the mortgages in America, issue nearly two-thirds of credit cards, and control about 40 percent of all bank deposits in the U.S. In addition, the face value of over-the-counter derivatives at commercial banks has grown to \$290 trillion, 95 percent of which are held at just five financial institutions.

Last week, Hinchey offered an amendment to the Wall Street Reform and Consumer Protection Act that was similar to the bill he introduced today. That amendment was blocked from coming up for a vote before the full House. The introduction of Hinchey's bill today would restart the legislative process for passing the reinstatement of the Glass Steagall Act. The bill would statutorily require banking giants to decide whether they want to serve as a commercial bank or an investment bank and require them to cease activities in one of those areas within one year of the bill's enactment.

"The repeal of the Glass-Steagall Act was done to help large banks become enormous and to line the pockets of banking executives with more money than most Americans could ever dream of earning in their lifetime," Hinchey said. "It was not done to help average working men and women in this country get ahead and that was wrong. This bill would help right the ship and return our country to the days when banks either participated in commercial lending activities or investment activities, but not both."

Hinchey is also the author of the Too Big to Fail, Too Big to Exist Act, which would require the Secretary of the Treasury to dismantle any U.S. financial institution deemed to be so big that its potential collapse would undermine the entire U.S. economy. U.S. Senator Bernie Sanders (I-VT) is the author of that legislation in the Senate.